

Message Text

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SUBJECT: LABOR/MANPOWER: EMERGENCY PROPOSALS FOR HARD-HIT
INDUSTRIES

REFS: ROME'S 2876, 1876, 1733, 0958 (NOTAL)

1. SUMMARY. THE ITALIAN GOVERNMENT HAS DEVISED A LAW TO ASSIST SOME 17,000 WORKERS WHO ARE LOSING THEIR JOBS AS A RESULT OF THE BANKRUPTCY OR LIQUIDATION OF THE COMPANIES WHICH EMPLOY THEM. THE LAW ASSIGNS \$13 MILLION TO GEPI FOR THE PURPOSE OF FUNDING BUSINESS INITIATIVES DESIGNED TO RE-EMPLOY THESE WORKERS, AND EMPOWERS GEPI TO ESTABLISH A CARDBOARD CORPORATION (ALREADY ACCOMPLISHED - THE CORPORATION IS KNOWN AS IPO) TO "HIRE" THESE WORKERS FOR THE PURPOSE OF MAKING THEM ELIGIBLE FOR BENEFITS UNDER THE WAGE SUPPLEMENT FUND. HOWEVER, FUNDING FOR THE NEW LAW IS BEING HELD UP IN PARLIAMENT PRIMARILY DUE TO A GROWING SCANDAL WHICH INVOLVES THE ALLEGED MISAPPPRIATION OF FUNDS BY GEPI AND GOVERNMENTAL OFFICIALS.
END SUMMARY.

2. DECREE LAW NO. 9, ISSUED ON JANUARY 30, 1976 AND PUBLISHED ON
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FEBRUARY 2, 1976, AUTHORIZES GEPI (THE PARASTAL ORGANIZATION DE-

SIGNED TO ASSIST, FINANCE AND/OR ACQUIRE COMPANIES IN DIFFICULTY) TO ESTABLISH A STOCK CORPORATION (OR TO UTILIZE CORPORATIONS ALREADY IN EXISTENCE) FOR THE PURPOSE OF "ENCOURAGING THE DEVELOPMENT OF BUSINESS INITIATIVES WHICH RESULT IN THE RE-EMPLOYMENT OF ALL THE WORKERS DISCHARGED BY (SELECTED) FIRMS PLACED IN RECEIVERSHIP OR WHICH, IN ANY EVENT, HAVE CEASED PRODUCTIVE ACTIVITY."

3. THE LAW PROVIDES THE SUM OF 10 BILLION LIRE (APPROXIMATELY \$13 MILLION) FOR THIS PURPOSE. IT ALSO PROVIDES CRITERIA FOR THE APPLICATION OF THE PROVISIONS, AND CONSIGNS TO CIPE (THE INTERMINISTERIAL COMMITTEE FOR ECONOMIC PLANNING) THE TASK OF SPECIFYING THE FIRMS ON BEHALF OF WHICH THE INTERVENTIONS WILL BE MADE. THE CRITERIA FOR SELECTION ARE THESE: A) THE PROSPECT OF A HIGH NUMBER OF DISCHARGED WORKERS IN A LIMITED AREA, B) DIFFICULTY IN FINDING ADEQUATE SOLUTIONS FOR THE FIRM'S ECONOMIC CRISIS, AND C) THE IMPOSSIBILITY OF IMPLEMENTING SUCH SOLUTIONS WITHIN A REASONABLY BRIEF PERIOD OF TIME.

4. GEPI HAS FORMED THE CORPORATION CALLED FOR IN THE LEGISLATION. IT IS KNOWN AS IPO (INIZIATIVE PROMOZIONE OCCUPAZIONE SPA - JOB-PROMOTING INITIATIVES, INC.), THE LIFE OF WHICH IS LIMITED TO THE END OF 1976. PRESUMABLY, IF IT EVER REALLY GETS OFF THE GROUND, ITS LIFE, AND THE GEPI FUNDING, WILL BE RENEWED BY PARLIAMENT. ITALIAN ORGANIZATIONS -- EVEN THE MOST USELESS AND ANACHRONISTIC -- RARELY CEASE TO EXIST ONCE FORMED.

5. DECREE LAW NO. 9 PROVIDES THAT GEPI WILL ASSIGN TO IPO THE WORKERS OF THE FIRMS SELECTED BY CIPE WHO HAVE BECOME UNEMPLOYED. THE MINISTER OF LABOR IS THEN AUTHORIZED TO ASSIGN THESE WORKERS, ON THE BASIS OF THE SALARIES AND WAGES THEY WERE DRAWING AT THE TIME THEY WERE ASSIGNED TO IPO, TO THE WAGE SUPPLEMENT FUND FOR SIX MONTHS, WHERE THEY WILL DRAW 80 PERCENT OF THEIR PREVIOUS WAGES IN BENEFITS.

6. IN THE MEANTIME, GEPI WILL UTILIZE THE 10 BILLION LIRE TO ENCOURAGE THE DEVELOPMENT OF BUSINESS INITIATIVES -- EITHER ON THE PART OF EXISTING FIRMS OR OF NEW ENTREPRENEURS -- TO EMPLOY THE WORKERS WHO ARE ON THE IPO "PAYROLL". THE LAW FURTHER SPECIFIES THAT ANY FIRMS WHICH ASSUME THE TITLE AND ASSETS

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OF THE BANKRUPT/LIQUIDATED FIRMS WHOSE EMPLOYEES HAVE BEEN ASSIGNED TO IPO, AND WHICH ARE UNDERTAKING RESTRUCTURING OR CONVERSION OF THEIR OPERATIONS, "MUST UTILIZE THE AFOREMENTIONED PERSONNEL (AS PART OF THEIR LABOR FORCE) AS A CONDITION OF BENEFITING FROM THE LEGAL PROVISIONS WHICH EXIST FOR THE ASSISTANCE OF FIRMS UNDERGOING RESTRUCTURING OR RECONVERSION."

7. THE FIRMS TO WHICH THE PROVISIONS OF DECREE LAW NO. 9 ARE TO

BE APPLIED HAVE REPORTEDLY BEEN SELECTED BY CIPE. ACCORDING TO OUR INFORMATION, THEY ARE: INNOCENTI-LEYLAND (MILAN), AFFECTING 1,570 WORKERS; ANGUS (NAPLES, 450; TORRINGTON (GENOA) 550; SMALTERIE BASSANO (BASSANO), 5,400 SINGER (TURIN), 2,000; SELPA (LOCATION AND NUMBER OF WORKERS INVOLVED UNKNOWN AT PRESENT); DUCATI (BOLOGNA), 2,500; FAEMA (MILAN), 1,350; HARRY'S MODA (LECCE), 1,800; ORSI MANGELLI (FORLI), 1,350; AND LANDIS E GYR (SALERMO), 800. OF THESE, TORRINGTON AND SINGER ARE AMERICAN-OWNED; HARRY'S MODA IS SAID TO HAVE AN AMERICAN INTEREST, BUT THIS IS NOT CONFIRMED. A TOTAL OF 17,000 WORKERS WOULD BE INVOLVED. IT SHOULD BE NOTED THAT THE INNOCENTI-LEYLAND LABOR FORCE LAST NOVEMBER, WHEN THE PLANT WAS OCCUPIED, CONSISTED OF 4,400 WORKERS. THIS NUMBER IN THE MEANTIME HAS BEEN REDUCED TO 4,070 SINCE SOME HAVE FOUND OTHER EMPLOYMENT. OF THIS LATTER NUMBER, 2,500 WILL PRESUMABLY BE RE-HIRED BY THE GEPY-DETOMASO-INNOCENTI ARRANGEMENT (ROME'S A-117) WHICH IS NOW IN THE PROCESS OF FINALIZATION, LEAVING A RESIDUE OF 1,570 TO BE TAKEN INTO THE PROVISIONS OF DECREE LAW NO. 9.

8 A CLOUD IS LOOMING ON THE HORIZON. PARLIAMENT'S RATIFICATION OF THE DECREE LAW IS BEING HELD UP IN THE CHAMBER (THE SENATE APPROVED ON MARCH 2) BECAUSE OF THE IMPLICATION OF GEPI, IN PARTICULAR ITS DIRECTOR GENERAL GRASSINI, IN A BURGEONING SCANDAL INVOLVING A CLOTHING FIRM, SANREMO. THIS ITALIAN FIRM WAS ACQUIRED IN THE MID-60S BY THE AMERICAN MULTINATIONAL GENESCO. SUBSEQUENTLY, WHEN THE PLANT -- WHICH EMPLOYED SOME 4000 WORKERS -- RAN INTO ENORMOUS DEFICITS, GENESCO MADE PLANS TO CLOSE IT-

DOWN. IN THE ENSUING AGITATION BY THE UNIONS, GEPI STEPPED IN. THE TERMS OF ACQUISITION ARE SAID TO HAVE INCLUDED AN OFFER OF 12 MILLION DOLLARS BY GENESCO TO COVER ITS VARIOUS OBLIGATIONS, BUT THAT GEPI HAS RECEIVED ONLY 8 MILLION DOLLARS. THE IMPLICATION IS THAT GRASSINI AND OTHERS HAVE POCKETED THE DIFFERENCE.

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9. THE LEGAL SITUATION INVOLVING THE GEPI-IPO SITUATION IS THIS: THE DECREE LAW, CONSISTENT WITH THE ITALIAN SYSTEM, IS ALREADY IN FORCE, BUT MUST BE RATIFIED BY PARLIAMENT WITHIN 60 DAYS, I.E., BY THE FIRST OF APRIL. FAILING RATIFICATION, THE DECREE LAW LAPSES. IN THE MEANTIME, WITH A SERIES OF NATIONAL POLITICAL CONGRESS UNDERWAY, PARLIAMENT IS IN FREQUENT RECESS THESE DAYS. GIVEN THIS FACT, PLUS THE GEPI-SANREMO SCANDAL, THERE IS SOME QUESTION WHETHER DECREE LAW 9 WILL ACTUALLY BEGIN TO OPERATE EVEN THOUGH THE ONLY APPARENT OPPOSITION TO IT IS RESTRICTED TO CONFININDUSTRIA, THE ITALIAN EMPLOYERS' CONFEDERATION. VOLPE

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